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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

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October 11, 2006

David Kutchback, Assistant CEO
MERS/Missouri Goodwill Industries
1727 Locust Street
St. Louis, Missouri 63103

RE: Special Fiscal Monitoring Report of MERS/Missouri Goodwill Industries,
(Project #2007-SLATE 1)

Dear Mr. Kutchback:

Enclosed is a report of our special fiscal monitoring review of MERS/Missouri Goodwill Industries Contract #112-06 for the period July 1, 2005 through June 30, 2006. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of MERS/Missouri Goodwill Industries. Our fieldwork was completed on September 11, 2006.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and an agreement with St. Louis Agency on Training and Employment (SLATE) to provide fiscal monitoring to all grant subrecipients. If you have any questions, please contact Charlie Schroeder 589-6089.

Sincerely,

Sedrick D. Blake, CPA
Internal Audit Executive

cc: Honorable Darlene Green, Comptroller
Edward T. Jones, Director, St. Louis Agency on Training and Employment
Kim Neske, Fiscal Manager, St. Louis Agency on Training and Employment

Enclosure



CITY OF ST. LOUIS

ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT (SLATE)

*MERS/MISSOURI GOODWILL INDUSTRIES
CONTRACT #112-06*

FISCAL MONITORING REVIEW

JULY 1, 2005 THROUGH JUNE 30, 2006

PROJECT #2007-SLATE1

DATE ISSUED: OCTOBER 11, 2006

*Prepared by:
The Internal Audit Section*



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
MERS/MISSOURI GOODWILL INDUSTRIES
CONTRACT #112-06
SPECIAL FISCAL MONITORING REVIEW
JULY 1, 2005 THROUGH JUNE 30, 2006**

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**CITY OF ST. LOUIS
ST. LOUIS AGENCY ON TRAINING AND EMPLOYMENT
MERS/MISSOURI GOODWILL INDUSTRIES
CONTRACT #112-06
SPECIAL FISCAL MONITORING REVIEW
JULY 1, 2005 THROUGH JUNE 30, 2006**

INTRODUCTION

Background

Contract Name: MERS/Missouri Goodwill Industries

Contract Number: #112-06

Contract Period: July 1, 2005 through June 30, 2006

Contract Amount: \$241,064.37

The contract provided Workforce Investment Act funds through the St. Louis Agency on Training and Employment (SLATE) to MERS/Missouri Goodwill Industries for the adult worker program. The contract provided reimbursements for each of five activities. The Agency was reimbursed when it completed each activity.

Purpose

The purpose of our review was to determine whether the Agency's actual costs equaled or exceeded the funds SLATE provided for the adult worker program for the period July 1, 2005 through June 30, 2006 and make recommendations for improvements.

Scope and Methodology

We made inquiries regarding MERS/Missouri Goodwill Industries expenditures relating to the grant administered by SLATE, tested evidence supporting the reports the agency submitted to SLATE and performed other procedures considered necessary. Our fieldwork was completed on September 11, 2006. Management's response was received on October 10, 2006, and incorporated into the report.

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CONCLUSION AND SUMMARY OF OBSERVATIONS

Conclusion

The Agency's expenditures to operate the adult worker program exceeded the reimbursements received from SLATE. The expenditures totaled \$241,211. The Agency was reimbursement \$230,729 from SLATE. The Agency's expenditures exceeded the amount reimbursed by \$10,482. We sampled payroll and non-payroll items for February and June 2006. The items were supported with invoices and proof of payment that agreed to the expenses charged to the program without exception.

The Agency's time reports did not identify the time spent for each of the five activities identified in the contract. Therefore, we could not determine the actual time expended for each category. However, based on the original budgeted time, the expenditure per category exceeded the amount reimbursed in five out of the five activities.

Activity	Actual Cost	Units of Service 2006/Carry in	Rate/ Actual Cost	Contracted Rate 2006/Carry-in	Variance (under) over	Reimbursement by Activity (2006 plus Carry-in)
Recruitment	79,073.68	68	1,162.85	1,139.68	23.17	77,497.90
Short Term Services	68,921.41	68	1,013.55	1,000.87	12.68	68,059.16
Job Development/Placement	46,925.98	65/1	711.00	664.73/734.03	45.22	43,941.48
Follow up 30 Days	23,145.36	63	367.39	326.08	41.31	20,543.04
Follow up 90 days	23,145.36	52/10	373.31	326.08/373.17	39.64	20,687.86
	<u>\$ 241,211.78</u>					<u>\$ 230,729.44</u>
Cost exceeded Reimbursement by						\$ (10,482.34)

Summary of Current Observation

The Agency did not maintain time reports showing actual time spent on each activity because reimbursements were based on per performance contracted rates. This made it impossible to ascertain the actual amount of time spent on each activity.

Recommendation

If the Agency is awarded an adult worker contract in the future, it should confirm with SLATE how time spent on each activity needs to be recorded.

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Management's Response

When a staff person's time is split on a grant it is necessary to use a time allocation process that allows for a granting agency to realize they are receiving an appropriate amount of the assigned staff person's time.

Depending on the staff person's work activities, the allocation method may involve one of the following methods:

- 1. Number of Clients Served*
- 2. Number of Staff Served or Supervised*
- 3. Periodic Time Study*
- 4. Effort reporting will be avoided if possible since it is a costly, time consuming method that does not serve the granting agency well, due to the cost.*